295 North Maple Avenue
Basking Ridge, NJ 07920

March 10, 1999

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: Ex Parte Presentation
CC Docket No. 96-45 – Universal Service/Proxy Cost Models
CC Docket No. 97-160 – Forward-Looking Cost Mechanism

Dear Ms. Salas:

On February 5, 1999, Sprint submitted some 100 sheets of paper Excel tables whose initial provenance was Sprint's continuing property records ("CPR").[1] Sprint claims that these data (which in many cases represent costs incurred over 40 years ago) may be used to establish forward-looking switching costs for universal service purposes.

In MCI WorldCom's Ex Parte submission of February 9, 1999 (pp. 25-26), AT&T and MCI WorldCom demonstrated on a conceptual basis that cumulative stale data of this type, even if comprehensive and collected from accurate CPR, cannot be properly adjusted to represent forward-looking costs.[2] In particular, AT&T and MCI WorldCom demonstrated that:

1) Long-standing embedded data are useless for the purposes of determining TELRIC because not only are these historical costs unrepresentative of current costs for such equipment, but the equipment costed is no longer modern or forward-looking.

2) There is no mechanism available to convert such long-stale data to a forward-looking technological and cost basis. And due to the speed of advance in

[1] Although the initial source of these "data" is Sprint's CPR, they have been heavily edited and adjusted by Sprint. For example, Sprint states that, "(t)he data excludes (sic) investments that can be directly attributed to vertical features and services such as CLASS and ISDN." Although it is certainly proper for such costs be removed, Sprint does not document the process it used to exclude investments associated with these non-supported services. Thus, we cannot determine whether investments associated with other non-basic services (e.g., 800 number portability, AIN, etc.) remain included. Indeed, Sprint's use of the term "directly attributed" appears to suggest that indirect costs even of CLASS and ISDN remain improperly in its dataset.

[2] Note that in the context of the recent Commission audits of ILEC central office equipment, the ILECs have denigrated the accuracy of their CPR as to the actual locations of this equipment.

switching technologies, even if such a mechanism existed, the "forward-looking" costs generated by this mechanism would be far more sensitive to the mechanism itself than to its historical cost inputs.

3) The older the CPR data, the less likely it is to provide a consistent view of current investments in all of a LEC's wire centers. In addition, because these data represent original cost, it likely will double-count certain investments in the wire center that have been subject to multiple upgrades.

4) ILEC survey responses will likely be censored or incomplete.

A brief perusal of the data in Sprint's submission remains instructive, though, because it confirms that the above conceptual concerns are amply warranted.

Data Accuracy – Even in these data records that were specially prepared by Sprint, records appear either to be missing, or are inconsistent with other records

NV Missing switch type for BLCYNVXFDS0.
Data show fourteen host switches, but only four remotes associated with these hosts.
Year of initial switch installation not provided.

MO Remotes labeled LETN and WTN have no identification of their host.
Three Jefferson City wire centers (JFCY-NX1E, JFCY-ST of MO and JFCY-W CNTRY CLB are missing switch type identification.
Number of equipped lines per office is missing

KS Summary page shows four switches as standalones, but also show these "standalone" switches to have remotes.
Two switches are identified as hosts (HSTN and PRKR) but appear to have no remotes
JNCW remote has no investment or lines entered
BXSP, GALN, RVTN, SCMN (all remotes as part of Burlington office) have no investments.
Warrensburg DMS 100/200 shows two rows of 1998 investments.
B-Hill remote in Russell office shows 0 lines and no investment.
Number of equipped lines per office missing

Inappropriate Data Included – Data do not reflect equipment used exclusively to provide end office switching, or the data are too old.

NV All included switches appear to be purchased prior to 1994

MO Four of the six DMS 100 switches in the dataset are listed as combination local/tandem switches.
Approximately one half of all MO switches listed were purchased before 1994.
All host switches in the dataset were purchased before 1994.
Three of the four standalone switches in the dataset were purchased before 1994.

KS Seven of the KS "switches" (BNDC, CYVL, LFNT, MPTN, NSFL, PIQU, QNCY) appear to be pair gain devices for 5ESS® systems and not end office switches.
One DMS "switch" with switch type as RLG appears to be pair gain device and not a switch.
Three DMS host switches are combination local/tandem switches.

Data Clarity – Much of Sprint's specially prepared data are simply unclear.

MO What are the types of investments that correspond to the WRBG labels entered into the CLLI column for the Warrensburg Office/: WRBG-Walmart and WRBG Monserrat
What is the investment for in the Warrensberg Office/Pleasant Hill remote: PLHL-Sugarland?
Why are there two locations for the LKLT remote in Warrensburg labeled Lake Lotawana and Lake Tarsney, but not separate CLLIs or investments?
What is the OPM-Tudor Flats investment for in the Platte City RSC in the Ferrelview office? If the abbreviation OPM is intended to represent "outside plant module," why is it included in these data that are intended to represent switching plant?
Why is the data for Jefferson City entered differently than all the other offices; i.e., separate remotes are not identified in the same way so that subtotaled investments and lines per remote are identified?

KS Oswego central office shows 1981 as its year of installation with investments of $73k. Total lines are 1,511. What equipment is represented by the additional investments of $37k in 1992 and $274k in 1995? (This data record is just one of many Sprint records which display undocumented massive additional investments subsequent to the switches' initial installation.)
Courtland central office shows a remote CLLI called IONI with a switch type of SC-DCO/RLG. Is this also a pair gain device?
What is CLLI B-Hill, DSS-1218CS switch type in the Russell office? Note, too, that this CLLI has 0 working lines.

Our brief examination of this data submission (which covers only 3 of Sprint's 25 study areas) demonstrates clearly the infirmities of Sprint's proposed process for determining the forward-looking economic costs of switching. Unless the ILECs can propose a methodology that is free of significant conceptual errors, and demonstrate that they can execute this methodology in an accurate, auditable fashion, no change from the Commission's proposed depreciation/RUS methodology should be considered.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

Richard N. Clarke /ha

Richard N. Clarke

cc: Robert Loube
James Eisner
James Zolnierek
Sheryl Todd